

SUBCHAPTER H—PROGRAM REGULATIONS (CONTINUED)

PART 1950—GENERAL

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Subparts A–B [Reserved]

Subpart C—Servicing Accounts of Borrowers Entering the Armed Forces

AUTHORITY: 5 U.S.C. 301; 7 U.S.C. 1989; and 42 U.S.C. 1480.

§ 1950.101 Purpose.

Borrowers with accounts serviced by the Farmers Home Administration or its successor agency under Public Law 103-354 (FmHA or its successor agency under Public Law 103-354) who have entered or who are entering military service will require special treatment. This subpart prescribes the authorities, policies, and routines for servicing such cases in addition to those contained in other FmHA or its successor agency under Public Law 103-354 regulations.

[45 FR 43152, June 26, 1980]

§ 1950.102 General.

(a) FmHA or its successor agency under Public Law 103-354 will do everything possible to assist borrowers entering the armed forces to adjust their affairs in contemplation of military service. It is not the policy FmHA or its successor agency under Public Law 103-354 to renew, postpone, or modify annual installments due under a promissory note because of the borrower's entry into the armed services. However, under the Soldiers' and Sailors'

Civil Relief Act of 1940, the property of a borrower in the armed forces cannot validly be seized or sold by foreclosure or otherwise during the borrower's tenure of service, or for three months thereafter, except (1) pursuant to an agreement entered into by the borrower after having been accepted for service, or (2) by order of the Court. Any person causing an invalid sale to be made is guilty of a misdemeanor. Regardless of the foregoing, the long-time interest of the borrower can best be served by prompt and satisfactory arrangements for the use and protection, or disposition, of the security property in accordance with the policies expressed herein. Upon request, OGC will inform the State Director with respect to relief which may be secured by a borrower under the Soldiers' and Sailors' Civil Relief Act of 1940.

(b) In connection with Multiple Housing loans to individuals, references to County Supervisor and County Office in this subpart will be read as District Director and District Office.

[50 FR 45763, Nov. 1, 1985]

§ 1950.103 Borrower owing FmHA or its successor agency under Public Law 103-354 loans which are secured by chattels.

(a) *Policy.* (1) Borrowers who owe loans *other than* Farm Ownership (FO), Operating (OL), Soil and Water (SW), Recreation (RL), Emergency (EM), Economic Emergency (EE), Economic Opportunity (EO), Special Livestock (SL), Softwood Timber (ST) loans, and/or Rural Housing loans for farm service buildings (RHF). When information is received that a borrower is entering the armed forces, the County Supervisor will be responsible for contacting the borrower immediately for the purpose of reaching an understanding concerning the actions to take in connection with the FmHA or its successor agency under Public Law 103-354 loan indebtedness. The borrower will be permitted to retain the chattel security if arrangements can be worked out which are satisfactory to the borrower and FmHA or its successor agency under Public Law 103-354. However, because

of the nature of chattel security, the borrower will be informed of the usual depreciation of such property and will be encouraged to sell the property and apply the proceeds to the loan(s). In most cases, the interests of both the borrower and the Government can best be served by arranging for a voluntary sale of the security. A borrower retaining security will be expected to make payments on the loan(s) equal to the scheduled payments.

(2) *Borrowers who owe FO, SW, RL, OL, EE, EM, SL, EO, and/or RHF loans.* If the borrower is delinquent in accordance with subpart S of part 1951 of this chapter, or otherwise in default, the County Supervisor will send exhibit A and the appropriate attachments, as outlined in subpart S of part 1951 of this chapter. If the borrower is not delinquent, the County Supervisor will explain the options set out in paragraph (b) of this section.

(b) *Methods of handling.* In carrying out the above policy, the cases of borrowers entering the armed forces will be handled in accordance with one of the following methods:

(1) Voluntary sale of security. This will be accomplished in accordance with §1962.41 of subpart A of part 1962 of this chapter. Any necessary forms will be signed:

(i) Before being accepted for service in the armed forces, if the sale is to be completed before the borrower is accepted for service, or

(ii) After being accepted for service, if the sale cannot be completed before the borrower is so accepted. For this purpose, an individual will be considered as accepted for service after being ordered to report for induction, or, if in the enlisted reserve, after being ordered to report for service in the armed forces.

(2) Assumption of indebtedness. This will be accomplished in accordance with §1962.34 of subpart A of part 1962 of this chapter.

(3) Arrangements with third persons. When the borrower arranges with a relative or other reliable person to maintain the security in a satisfactory manner and to make scheduled payments, the State Director is authorized to approve the arrangement. In such a case, the borrower will be required to exe-

cute a power of attorney, prepared or approved by OGC, authorizing an attorney-in-fact to act for the borrower during the latter's absence.

(4) Possible legal actions. If the borrower fails or refuses to cooperate in the servicing of the loan indebtedness secured by chattels in accordance with one of the methods set forth in this section, the borrower's case folder will be forwarded to the State Director for referral to OGC for legal advice as to the steps to be taken in protecting the Government's interest.

(c) *Statements of accounts and transfers.* Borrowers entering the armed forces will be requested to designate mailing addresses for the delivery of statements of account. Any changes in these addresses will be processed on Form FmHA or its successor agency under Public Law 103-354 450-10, "Advice of Borrower's Change of Address or Name," with appropriate explanations. Under this procedure, a statement of account may be mailed to a location other than where the account is maintained and serviced. This is a deviation from the established procedure. These cases will not be transferred unless the security, when retained by the borrower in accordance with paragraph (b)(3) of this section, is moved into another County Office territory. Then the transfer will be processed through the use of Form FmHA or its successor agency under Public Law 103-354 450-5, "Application to Move Security Property and Verification of Address," and Form FmHA or its successor agency under Public Law 103-354 450-10 with appropriate explanations. In cases when assumption agreements have been executed, statements of account will be mailed to the assuming borrower. Cases involving assumption agreements will be transferred when the assuming borrower moves from one County Office territory to another.

[45 FR 43152, June 26, 1980, as amended at 50 FR 45763, Nov. 1, 1985; 52 FR 26133, July 13, 1987; 55 FR 40646, Oct. 4, 1990]